

Message Text

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73

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 OPIC-03 AID-05 OMB-01 L-03

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R 291632Z JUL 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5650

INFO AMEMBASSY DAMASCUS

AMEMBASSY TEL AVIV

AMCONSUL ALEXANDRIA UNN

AMCONSUL PORT SAID UNN

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3.O. 11652: N/A

TAGS: BEXP, EFIN, EG

SUBJECT: GENERAL MOTORS TRUCK ASSEMBLY PROJECT

1. THREE GENERAL MOTORS OFFICIALS, RICHARD MARTIN, J.P. O'DONNELL AND RAAFAT RAHMAN, CALLED ON AMBASSADOR EILTS JULY 22 TO BRIEF HIM ON PROGRESS OF THEIR DISCUSSIONS WITH EL NASR AUTOMOTIVE MANUFACTURING CO. (NASCO). GM IS CONSIDERING A JOINT VENTURE WITH NASCO IN A TRUCK ASSEMBLY PLANT THAT WOULD PRODUCE A RANGE OF TRUCKS FOR THE EGYPTIAN AND OTHER MID-EAST MARKETS. NASCO IS SCHEDULED TO PRESENT A DETAILED PROPOSAL TO GM IN MID-AUGUST. GM BELIEVES PROJECT COULD BE "ON TRACK" BY END OF 1976 IF PRINCIPALS CAN REACH AGREEMENT ON MAJOR POINTS.

2. AMBASSADOR QUERIED GM REPS AS TO WHETHER BOYCOTT ISSUES WERE RAISED DURING THEIR MEETINGS WITH GOVERNMENT OFFICIALS. THEY REPLIED THAT THE SUBJECT HAD NOT COME UP. MARTIN NOTED THERE HAD BEEN SOME QUESTIONS ABOUT GM'S ACTIVITIES IN ISRAEL, BUT COMPANY HAS MADE DETAILED SUBMISSION ON THIS OPERATION TO BOYCOTT OFFICIALS IN DAMASCUS. THE REPS INDICATED THEY ARE UNAWARE OF ANY BOYCOTT PROBLEMS IN GM'S CASE. IF THIS IS NOT AN OBSTACLE TO NEGOTIATIONS, ONLY THE TECHNICAL ASPECTS OF THE PROJECT PROPOSAL REMAIN TO BE WORKED OUT. WHILE AN AGREEMENT IN PRINCIPAL VIS-A-VIS THE PROJECT

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HAS BEEN REACHED, MANY QUESTIONS STILL MUST BE RESOLVED TO GM'S

SATISFACTION BEFORE IMPLEMENTATION. MARTIN AND HIS ASSOCIATES VOICED THEIR DISSATISFACTION WITH LAW NO. 43, SAYING THAT IT LEAVES POTENTIAL INVESTORS IN "NO MAN'S LAND." GM WOULD LIKE TO SEE REVISION OF LEGISLATION (BUT WOULD PROBABLY PURSUE INVESTMENT, IN ANY CASE IF CONTRACT IS SATISFACTORY TO THEM). MARTIN SOLICITED AMBASSADOR'S OPINION AS TO PROSPECTS FOR AMENDMENT OR REVISION OF INVESTMENT REGULATIONS.

3. AMB POINTED OUT THAT MAJOR CHANGES IN LAW 43 WILL REQUIRE TIME, BUT STRESSED THAT EMBASSY, JOINT U.S.-EGYPTIAN BUSINESS COUNCIL, AND OTHER POTENTIAL FOREIGN INVESTORS ARE ACTIVELY SEEKING SUCH CHANGES IN THE LAW ITSELF OR ITS IMPLEMENTING REGULATIONS. HOWEVER, HE CAUTIONED THAT DOMINANT PUBLIC SECTOR INTERESTS ARE THREATENED BY THE EFFICIENCY AND PRODUCTIVITY OF THESE PROPOSED PROFIT-MAKING VENTURES AND THEY WILL RESIST CHANGES. THIS RESISTANCE, COUPLED WITH EGYPTIAN ECONOMIC SITUATION, PARTICULARLY LACK OF FOREIGN EXCHANGE, CREATES MANY DIFFICULTIES FOR INVESTORS. MARTIN AGREED AND SAID HE FELT THE FOREIGN EXCHANGE REQUIREMENT FOR THEIR PROJECT WOULD BE ONE OF THE MOST CRITICAL NEGOTIATING POINTS. AMB COMMENTED THAT RECENTLY A JOINT VENTURE PROPOSAL HAD WON AN AGREEMENT FROM GOE TO GUARANTEE AN AMOUNT OF FOREIGN EXCHANGE TO THIS PROJECT EQUIVALENT TO THAT SUPPLIED TO A LOCALLY OWNED FIRM IN SIMILAR ACTIVITY. THIS AT LEAST SUGGESTS SOME GOE AWARENESS THAT FOREIGN EXCHANGE AVAILABILITY IS PREREQUISITE FOR MOST FOREIGN INVESTMENT PROPOSALS AND WILL LEAD TO MORE FLEXIBILITY ON THIS POINT IN FUTURE.

4. MARTIN SAID HE HOPED THIS WAS THE CASE AND REITERATED GM'S INTEREST IN MOVING FORWARD QUICKLY ON THEIR PROPOSAL. IN ADDITION TO JOINT VENTURE, GM IS ALSO BIDDING OR WILL BID ON VARIOUS EQUIPMENT PURCHASES FINANCED UNDER AID-CIP LOAN. FURTHER, LOCAL PRIVATE SECTOR DISTRIBUTOR OF GM AUTOMOBILES IS NOW ACTIVE IN BOTH CAIRO AND ALEXANDRIA. GIVEN MULTI-FACETED GM INTEREST IN EGYPTIAN MARKET, MARTIN EXPRESSED HOPE THAT COMPANY'S BUSINESS ACTIVITY HERE WOULD INCREASE RAPIDLY. AMB STRESSED EMBASSY'S DESIRE TO ASSIST U.S. FIRMS IN EVERY WAY POSSIBLE TO IMPROVE THEIR MARKET POSITION AND ENCOURAGE U.S. INVESTMENT IN EGYPT.

EILTS

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Decaption Note:
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Disposition Authority: greeneet
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Disposition Date: 28 MAY 2004
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